EVLI

EVLI PLC

RESPONSIBLE INVESTMENT ANNUAL REVIEW

2024

Responsible Investment Annual Review 2024

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Responsibility at the core of the strategy

At Evli, responsibility has been an integral part of business for years and we are actively developing responsibility in our operations. Responsibility is also one of Evli's strategic focus areas.

At Evli, responsible investment means taking the environmental, social, and good governance (ESG) issues into account in our investment activities. We want to grow our clients' wealth responsibly, which is why responsibility is integrated into our asset management investment activities.

Transparency and openness are the cornerstones of Evli's responsible investment. Each year, we report on the progress of this work. In the Responsible Investment Annual Review 2024, we describe the development of Evli's responsible investment during 2024 as well as our focus areas and the engagement activities we have carried out. In 2024, Evli strengthened its work in particular on climate change mitigation and biodiversity, and raised, as part of its human rights work, the children's rights in the wider debate.

"At Evli, responsibility has been an integral part of portfolio management for many years, as we believe that taking responsibility into account will create long—term added value."

Responsible investment at Evli

At Evli, we believe that taking responsibility issues into account in investment decisions, alongside the analysis of key financial figures, increases understanding of the investment target and the risks and opportunities associated with it.

Responsible investment is integrated into investment activities and reporting

At Evli, responsibility factors have been integrated into the investment activities of Wealth Management, which means that responsibility is systematically considered in portfolio management. In practice, for listed investments this is done through an internal ESG database based on sustainability data produced by MSCI ESG Research and ISS STOXX, as well as through information published by companies and attained through company meetings. The ESG database provides portfolio managers with easy access to companies' ESG data when making equity and fixed income investments. For example, portfolio managers can search for companies' responsibility assessments (the so–called ESG scores), information on the share of revenue generated by controversial activities and any ESG violations, as well as information on companies' emissions and emission reduction targets, and how companies are aligned with the Paris Agreement.

The ESG database is also used for reporting purposes. Evli publishes public ESG reports on all its equity and corporate bond funds, allowing anyone to monitor the responsibility of Evli's investments. In addition to ESG and UN Global Compact analyses, the ESG reports show the development of the investments' ESG ratings, reputational risk, and carbon footprint, as well as company–specific ESG data for the ten largest holdings. Furthermore, Evli reports on a semi–annual basis the responsibility of its clients' equity and corporate bond investments in separate client–specific responsibility reports.

An investment–specific ESG analysis is part of all investments, including those for alternative investment funds. In the Evli Private Equity, Evli Infrastructure and Evli Private Debt funds, each new target fund is analyzed against the same ESG criteria, and investments are only made in funds that meet the criteria. The funds are also analyzed according to the same criteria during the investment period, and the ESG analysis data is transparently available to investors. Similarly, in Evli's direct equity investments and growth companies, ESG analysis and value creation are a key part of the investment process. Examples of portfolio work include the creation of ESG principles and KPI metrics together with each target company.

With its real estate funds, Evli works in a socially responsible manner and demands the same from its partners. In addition, through concrete measures Evli is able to influence the energy efficiency of buildings and the construction's carbon footprint. In Evli's direct infrastructure funds, responsibility is an integral part of operations, and the aim is to produce as much renewable energy as possible in an economically viable way. Solutions enabling the growth of renewable energy, such as electricity storage, are also included in the investment strategy of the funds. Evli's forestry funds identify ESG risks and opportunities in their target funds as well as measure and report on the carbon impact of the funds annually. The funds invest in sustainable commercial forestry that produces renewable, environmentally friendly products for a range of end uses. Sustainable forest management is ensured through third–party forest certification schemes, such as FSC and PEFC.

Four Pillars of Responsible Investing at Evli

1. PRINCIPLES FOR RESPONSIBLE INVESTMENT

- Policies by asset classes
- Separate Climate Change Principles and engagement policy
- Climate Targets and Biodiversity Roadmap for taking biodiversity into account
- Internal division of responsibilities and governance model

2. ESG INTEGRATION IN INVESTMENT PROCESS

- Responsibility analysis as part of the investment decision–making
- Asset class–specific responsibility expertise
- Responsible Investment team as support for portfolio managers

3. ENGAGEMENT AND ACTIVE OWNERSHIP

- Independent discussions with companies
- Collaborative engagement and investor initiatives
- Asset class–specific engagement and active ownership

4. REPORTING

- Comprehensive and transparent reporting at fund and client level
- Responsible Investment Annual Review overviews progress in responsible investing

More responsible practices through engagement

Evli analyzes its actively managed equity and corporate bond funds and the direct investments made by Wealth Management every three months to identify potential non–compliance with the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, and to ensure compliance with Evli's Climate Change Principles. The UN Global Compact is an international corporate responsibility standard that requires companies to respect human rights, fight corruption and take environmental issues into account. The UN Guiding Principles on Business and Human Rights informs how states and companies should implement their obligations and responsibilities. The OECD Guidelines contain recommendations for multinational enterprises made by governments. The recommendations consist of voluntary principles and standards of responsibility and the application of legislation to international business. Information on non–compliance is available from the MSCI and ISS STOXX databases and other sources such as news reports.

Each case of non–compliance and violation of the Climate Change Principles triggers a pre–defined process at Evli. First, the case is discussed with the portfolio manager, after which Evli's Responsible Investment (RI) team analyzes the company's situation. The RI team has two options for further action:

1. Initiate measures of engagement

2. Exclude the investment.

The cases calling for engagement that have come to light in the quarterly inspections mostly concern environmental problems, human rights, workers' rights, or actions to mitigate climate change. Evli does not disclose the names of the companies with which it engages, as it believes that engagement with the company in a confidential manner is more effective.

Evli also engages companies related to different ESG themes and participates in various collaborative engagements and initiatives with other investors with the aim of making the operations of even more companies responsible. Responsibility is also systematically raised with the companies and partners of the alternative investment funds taking into consideration asset class–specific differences and best practices.

Focus areas for responsible investing at Evli

Continuous work towards climate targets	Research around biodiversity	Working to promote human rights
Continuing to deepen ESG integration in portfolio management	New responsibility themed products	Following EU sustainable finance legislation

Results and priorities in 2024

During the year, Evli continued active work in responsible investment and related focus areas and followed the development of the EU sustainable finance legislation.

In January 2024, as part of its actions under the biodiversity roadmap, Evli became a TNFD Early Adopter. In 2025, Evli will report on 2024 in accordance with the Taskforce on Nature–related Financial Disclosures (TNFD) framework. TNFD is a market–led, science–based initiative that has developed a reporting framework on nature for financial institutions and organizations. In addition, Evli joined as an endorser the PRI's Spring collaborative engagement initiative, in which investors use their influence to halt biodiversity loss by 2030. The initiative focuses in its first phase on forest loss and land degradation, which are the key drivers of biodiversity loss and also affect the climate crisis.

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), Evli published the necessary information on its funds that are disclosed before investing, and as part of the annual review of the funds, its periodic reports on how the sustainability characteristics of the equity and fixed income funds were met during 2023. The corresponding periodic report was also published on alternative investment funds as well as on a portfolio basis for asset management clients.

Evli reported on the company–level PAI[1] indicators and adverse sustainability impacts in accordance with the regulation schedule at the end of June 2024. Evli has also developed the monitoring and analysis process of the PAI indicators. The Responsible Investment team systematically reviews companies quarterly.

Evli participated in general meetings of 33 companies and engaged 32 companies independently. The general meetings were attended by voting in advance, attending physical meetings, or attending remote meetings. Prior to the general meetings, Evli engaged with 18 companies in relation to good governance. Furthermore, Evli engaged with eight companies in relation to climate targets and/or principles. In addition, two engagement discussions were related to both climate and nature, three discussions related to environmental issues and one related toa suspected breach of norms. Evli also participated in companies' materiality analyses and discussed sustainability themes with various stakeholders. In addition, Evli Fund Management Company's representatives were appointed to nomination boards of three companies.

In addition to its independent engagement, Evli was involved in collaborative engagement initiatives and/or investor letters, such as the Nature Action 100 initiative, Climate Action 100+ initiative, and the CDP investor letters. CDP is an independent organization whose aim is to encourage companies to report on and manage their impact on the environment. Through investor letters, investors work together to engage with companies that do not yet report on their actions related to climate, forests, and/or water. In April 2024, Evli signed the "Finance Statement on Plastic Pollution" with other financial companies to support an international plastic agreement, as we recognize the negative impacts of plastics on the climate, people, and biodiversity. In 2024, Evli also signed the "2024 Global Investor Statement to Governments on the Climate Crisis" investor letter. The letter calls for governments to take necessary political actions to accelerate private capital flows needed for the just transition to a climate–resilient and nature–positive economy.

Related to the quarterly monitoring of norm violations, Evli did not exclude new companies from its investment universe.

Evli's Climate Targets' Working Committee actively continued its work. Separate meetings were also organized with Evli portfolio managers about the assessment of companies based on the Net Zero Investment Framework and how to find information about the company assessments in portfolio managers' tools. The progress of the targets will also be reported as part of our annual reporting. Furthermore, Evli's Responsible Investment Team discussed actively, in particular, the climate data with the ESG data providers.

During 2024 Evli continued its research on biodiversity metrics regarding, for example, portfolio–specific analyses and preparation for reporting in accordance with the TNFD reporting framework. Evli also participated in TNFD's consultation in early 2024. In addition, in 2024, Evli's Responsible Investment team participated in a TNFD training organized by Sitra and in the drafting of Finance Finland's nature commitment.

As part of its human rights work, Evli participated in a research project, started by UNICEF Finland, to find out how investors can advance the fulfilment of children's rights. Evli provided investor view on Finnish companies in the benchmark study by UNICEF Finland, published in February 2024. In addition, Evli explored ways to integrate children's rights more strongly into methods for responsible investing and constructed an extensive sector–specific, children's rights analysis primarily from the point of view of Finnish companies. The sector analysis

[1] Principal Adverse Impact, i.e. PAI indicators mean indicators that describe adverse impacts of investment decisions on sustainability factors.

was developed for three sectors. To address the challenge of obtaining data, as raised by the study, Evli started to find a solution using artificial intelligence and various analysis models. Evli was also able to present its work at an investor event organized by UNICEF Sweden in August and at the Building Bridges event in Switzerland in December.

In the fall, Evli organized portfolio management's ESG training days, with the topics being planetary boundaries, nature reporting in accordance with the TNFD framework, and considering nature and biodiversity from a company and investor perspective. In addition, the development of responsible investment at Evli was discussed over the course of the training days. Interactive workshops and active discussion around the themes were also organized.

In 2024, Evli's alternative investment funds also systematically developed responsible investment practices. The Evli Private Equity, Evli Infrastructure, and Evli Private Debt funds performed an ESG analysis for 12 investment target funds and two future target funds. In the spring of 2024, fund managers were provided the results of the previous year's ESG survey, so that they got feedback on their performance, in relation to the peer group, in various aspects of responsible investment. All Evli's alternative fund of funds, which had previous results available, improved their average ESG results. The biggest improvement was related to the fund managers' climate work. In addition, in the annual ESG assessment, more detailed bilateral discussions with the low performers among the target fund managers on their development areas were held. The ESG survey, sent at the end of year, included few extra questions to clarify topics related to biodiversity and human rights.

In 2024, the growth company funds, Evli Growth Partners I and II, continued their work on climate in terms of calculation of carbon dioxide emissions and offsetting. Both funds also continued to collect data from the PAI indicators and examined companies' capacities to check their business partners and key employees for sanction. In 2024, Evli Growth Partners (EGP) explored the administrative capacity of its portfolio companies by asking companies' guidelines on 25 different themes. After this mapping, the purpose is to create model guidelines, so that the companies can complement their missing guidelines. In addition, the EGP supported portfolio companies' preparation for the CSRD regulation by providing guidelines on issues that companies must take into account and the timeline for this. A workshop on CSRD was also held with companies that need to report in accordance with the CSRD in the next phase. As part of the due diligence process, a sustainability analysis was made for one new portfolio company, and the findings served as the basis for the company's ESG policy and targets for 2025.

With the other target company, we started working on ESG reporting based on the company's existing metrics. Two target companies published their public reports on the sustainability of their business.

In EAB Private Equity's target companies, responsible investment was promoted in many ways. Depending on the growth phase of companies, capacities for carbon footprint calculation, CSRD reporting, and climate targets setting were created, among other things, and measures to promote occupational safety and well–being at work were improved during the year.

In September, the new Evli Private Capital Fund I alternative fund was launched. It is Finland's first thematic growth fund making minority investments. The fund invests in unlisted companies with significant growth potential and focuses on energy sector transformation, resource efficiency, and circular economy, and thus continues EAB Private Equity's previous investment strategy. The fund follows the Principles for Responsible Investment, and sustainability analysis and monitoring are integrated into its investment process. In addition, the fund promotes environmental and social characteristics in accordance with Article 8 of the SFDR. In November, the fund made its first investment in a Finnish growth company that drives digitalization and resource efficiency in the retail sector. As part of the due diligence process, a sustainability analysis was made for a new portfolio company, and the findings served as the basis for the company's ESG strategy and sustainability targets. ESG obligations were also included in contractual documents of the investment, such as in the shareholder agreement.

At the end of 2024, the investment team of EAB Private Equity and Evli Private Capital organized a workshop for their portfolio companies, offering the participants an opportunity for peer learning and networking on selected responsibility topics.

In 2024, in Evli's real estate fund operations, systematic responsibility work was continued. One quarter of the funds participated in the global GRESB (Global Real Estate Sustainability Benchmark) assessment. In properties owned by funds, several sustainability activities were carried out, such as energy efficiency projects and energy audits, and energy certificates were renewed. Furthermore, there was active stakeholder engagement in real estate funds. The annual tenant satisfaction surveys examined the tenants' views on responsibility. Tenant events were organized in many properties to improve understanding of responsible practices and of reducing environmental impact. As for suppliers, responsible operating models were demanded and monitored.

In Evli's direct infrastructure funds, focus was on developing and expanding the investment platforms of renewable energy. During the year, industrial–scale solar power plants and rooftop solar power plants were completed in Spain. In Finland, the electricity storage project supporting the growth of renewable energy progressed to construction phase. The project suppliers are committed to complying with Evli's Supplier Code of Conduct.

In 2024, Evli Impact Forest Fund I (EIFF I) published its first responsibility report for investors. The highlights of the 2023 reporting period were over 6.5 million trees planted (relative proportion of EIFF I), 20 percent of the forest area set–aside in permanent conservation areas or legal reserves, and 500 kilometers of protected streams and watercourses. All forest assets have achieved third–party sustainability certification or are working towards certification for new investments after acquisition. Evli recognizes the FSC and PEFC forest certification schemes. EIFF I has a defined sustainability objective, which is to remove atmospheric carbon by investing in commercial forestry. The investments support climate change mitigation efforts. In 2023, the fund removed 1.08 million tons of carbon (tCO_2e), exceeding the Fund's target. Evli's second forest fund, Evli Impact Forest Fund II, has introduced an independent evaluation of carbon accounting procedures of its target funds before investment. In both funds, the performance fee received by Evli depends on the achievement of the stated carbon dioxide removal targets.

Evli's responsible investment performed excellently in external evaluations, too. Evli was placed first overall in sustainable investments expertise in Finland in the Kantar Prospera's "External Asset Management 2024 Finland" survey[1]. In the annual institutional asset management survey by SFR Research Evli was ranked second in responsible investment expertise in Finland among large asset management companies[2].

You can read more about Evli's responsible investing and its development at evli.com.

Evli reports on its climate risks in accordance with the Task Force on Climate–related Financial Disclosures (TCFD) framework and, now for the first time, its nature risks in accordance with the Taskforce on Nature–related Financial Disclosures (TNFD). TNFD is a market–led, science–based initiative that has developed a reporting framework on nature for financial institutions and organizations. The 2024 TCFD and TNFD reports are available in the Responsibility section of Evli's Annual Report.

[1] Kantar Prospera External Asset Management 2024 Finland.
[2] SFR Scandinavian Financial Research Institutional Investment Services Finland 2024.

Active ownership and engagement

Active ownership and engagement are a systematic part of the way Evli operates. Evli participates in annual general meetings of its investee companies in Finland and engages with companies independently and through collaborative initiatives with other investors.

Attendance at annual general meetings and nomination boards as part of active ownership

During 2024, Evli participated in 30 annual general meetings (AGM) and three extraordinary general meetings (EGM). The meetings were attended by voting in advance, attending physical meetings, or attending remote meetings. Evli's representative attended 19 physical general meetings during the year. Evli's representatives attended the AGMs and/or EGMs of Admicom, Detection Technology, Eezy, Enento Group, Fortum, Gofore, Harvia, HKScan, Huhtamäki, Kempower, Kojamo, Konecranes, Lemonsoft, Marimekko, Metsä Board, Musti Group, Neste, NoHo Partners, Ponsse, Puuilo, Relais Group, Remedy Entertainment, Qt Group, Sanoma, Sitowise Group, Talenom, Terveystalo, UPM Kymmene, Valmet, and Verkkokauppa.com. The meetings were selected on the basis of the content of the agenda and influence potential. Prior to the general meetings, Evli was in contact with 18 companies in relation to good governance.

Through its four funds, Evli voted in advance in general meetings of 14 companies, and more than one fund could participate in the general meetings. Evli abstained from the vote once on the election of a Board member. Apart from this, Evli supported all proposals. At the general meetings Evli attended physically, Evli's representative asked for two votes against on the election of Board members to be recorded in the minutes. In addition, Evli voted against on one occasion on the approval of the remuneration report. The above voting details are presented at company level. At other general meetings Evli attended physically, Evli did not oppose the proposals. In 2024, Evli Fund Management Company's representatives were appointed to nomination boards of three companies.

Independent engagement and dialogue with target companies

Systematic engagement with Evli's investee companies continued. In 2024, Evli was in contact with 32 companies in the area of sustainability discussions alone. The engagement took the form of emails and, with some companies, engagement meetings. Of the engagement cases, eight were primarily related to encouraging companies to set climate targets and/or science–based climate targets and/or climate principles. In addition, two engagement discussions were related to both climate and nature and three related to environmental issues. One engagement case was related to suspected norm violation. Prior to the general meetings, Evli also engaged with 18 companies in relation to good governance.

In 2024, Evli participated in companies' materiality analyses as well as discussed responsibility themes with various stakeholders. In addition, Evli participated in the consultation of the TNFD's financial sector guidelines. In addition to the engagement meetings, portfolio managers discussed corporate responsibility themes with companies as part of their company meetings. In 2024, portfolio managers of Evli's equity and corporate bond funds met with companies around 725 times.

Related to the quarterly monitoring of norm violations, Evli did not exclude any companies from its investment universe.

Examples on engagement discussions in equity funds and corporate bond funds

TOPIC	ENVIRONMENT: CLIMATE AND NATURE WORK	SOCIETY: HUMAN RIGHTS, SUSPECTED BREACH OF NORMS	GOOD GOVERNANCE: INCREASING BOARD FEES
Engagement	Evli discussed with the company about updating the company's climate targets and asked the company's plans related to their biodiversity work. In the meeting the company was open and transparent in its actions and related challenges and had a clear action plan.	The company was asked about its human rights policies and actions to ensure best practices. The goal is to assess the company's activities and corrective actions in respect of human rights.	The company was asked to provide reasons for significant increase in Board fees. The company provided clear reasons. We encouraged the company to be transparent and open towards other shareholders, too, and the company stated that it will include the information in the general meeting materials.
Result	The transparency of company activities increased. The company's actions will be followed.	We strive to have active discussion with the company, but not received a response from the company. Thus, the engagement failed. During the engagement, the reason for the suspected violation of norms was removed.	The transparency of the company activities increased. As a result of their clear reasons, it was possible to retain the investment in the company and to second the general meeting proposal.

Engagement in alternative investment funds

Responsibility is systematically raised with the target investment companies and partners of the alternative investment funds. For example, in 2024, in the Evli Infrastructure, Evli Private Debt, and Evli Private Equity fund of funds, the portfolio management of the target funds were provided the results of the annual ESG survey, giving them feedback on their performance, in relation to the peer group, in various aspects of responsible investment. With the ESG survey's low performers among the portfolio managers of the target funds, more detailed discussions were held on their development areas. Evli Impact Forestry conducts an annual ESG survey and engages with managers regarding carbon sequestration reporting. The Fund monitors and reports its removals of atmospheric carbon through its investments in commercial forestry.

In Evli's growth company funds, EGP Fund I and EGP Fund II, engagement was carried out through active cooperation with the target companies. In 2024, target companies were met 24 times in quarterly sustainability discussions on a company's progress in their annual targets as well as on the most important measures for the coming quarter. In addition, an obligation to monitor sanctions was written into two new partnership agreements. Materials were produced for target companies in order to prepare for the CSRD regulation. Evli explored the responsibility politics of companies and highlighted missing policies, which would be good to do.

EAB Private Equity and Evli Private Capital Fund engage target companies through the work of Board of Directors and working committees. Active ownership always requires that at least one Board of Directors seat in the target company is obtained in order to enable regular interaction. In addition, ESG obligations are included in contractual documents of investments, and target companies are expected to continuously improve their environmental, social, and governance procedures. Together with the management, Board of Directors, and other owners of each company, sustainability activities aimed at value creation are determined for the ownership period, and their achievement is closely monitored. This ensures that investments not only bring economic value but also have positive impacts on the environment and society.

In real estate funds, stakeholder engagement is focused on investors, tenants, and service providers. In 2024, responsibility perspectives were discussed in investor meetings, among other things, and tenants' views on responsibility were examined on annual tenant satisfaction surveys. Tenant events were organized in many properties to improve understanding of responsible practices and of reducing environmental impact. Tenants were also encouraged to actively report any failures in order to jointly improve real estates. As for suppliers, responsible operating models are demanded and monitored. In real estate management, for example, this meant, among other things, monitoring of energy consumption and reacting quickly to consumption variations, active monitoring of water leakages and water consumption, monitoring of safe real estate use as well as transparency of governance in tenders for real estate acquisitions..

Engagement through collaborative initiatives and investors statements

In addition to its independent engagement, Evli is involved in collaborative engagement initiatives and investor statements. The purpose of collaborative engagement initiatives and investors statements is to bring together a wider group of investors behind the same objectives, thus enabling a broader engagement. The themes of the initiatives and statements include climate change mitigation, human rights, and biodiversity.

Collaborative engagement initiatives and investor statements

Climate Action 100+

Evli has been part of the Climate Action 100+ initiative since 2017. The initiative aims to better manage climate change in companies, reduce greenhouse gas emissions, and report climate impacts more transparently. From 2018 to 2022, the initiative aimed to influence the most significant greenhouse gas emitters to mitigate climate change and achieve the goals of the Paris Agreement. In 2023, the second phase of the initiative was announced, running until 2030. At the end of 2024, over 600 investors had signed the Climate Action 100+. In 2024, the initiative focused on 168 companies, of which 80% were committed to net zero at the end of the year and 90% have a Board committee oversight of climate change risks and opportunities. Of the companies, 88% have aligned their disclosures with the Task Force on Climate–related Financial Disclosures (TCFD) recommendations.

Investor letters coordinated by CDP

Evli has been an investor member of the CDP since 2007 and since 2017 has been involved in engaging with companies through CDP's investor letters. CDP is an independent organization whose aim is to encourage companies to report on and manage their impact on the environment. In 2024, 276 investors (2023: 288 investors) with combined assets of 21 trillion dollars were involved in the engagements. In total, 1,998 companies were targeted for engagement (1,590 companies). Of those companies, 352 (317) started reporting their activities to the CDP. Of the companies, 164 (211) included impacts on climate change, 46 (58) impacts on forests, and 196 (66) impacts on water.

CDP's Science–Based Targets (SBTs) collaborative engagement

Evli has been involved in the Science–Based Targets (SBTs) collaborative engagement initiative coordinated by the CDP since the beginning of the campaign in 2020. The initiative ended in September of 2024. The initiative aimed to encourage companies to set science–based climate targets which are aligned with the Paris Agreement's emission reduction targets and which enable companies to make action plans for their own climate action. In the initiative's last engagement cycle of 2023–2024, there were 307 investors and companies (2023: 367) with combined assets of 32 trillion dollars involved in the SBT engagement. In the campaign's last engagement cycle, 2,132 companies (2,100 companies) were targeted with the collaborative engagement. During the campaigns, a total of 551 companies joined the Science Based Targets initiative (SBTi) or received approval for their SBTi targets from the initiative. Between 2023 and 2024, 71 new companies joined the SBTi.

PRI Advance

In 2022, Evli joined as an endorser the PRI Advance, an initiative in which investors work together for the benefit of human rights and social issues. It is engaging with sectors, and 39 companies selected from them, with the most severe human rights risks. The collaborative engagement campaign was launched in December 2022 with 220 investors. At the end of 2024, 265 investors with combined assets of 35 trillion dollars had joined the initiative. The campaign includes endorsers and participant investors who are in contact with companies targeted for engagement. A wider engagement with companies started in 2023. The first assessment of the progress of the companies was carried out in early 2024, after which progress will be reported annually.

Investor statement on Global Plastics Treaty

In April 2024, Evli signed the investor letter "Finance Statement on Plastic Pollution" with other financial companies to support a global plastics treaty. A total of 160 investors from 29 countries signed the investor letter representing 15.5 trillion dollars in combined assets. The statement was published before the UN intergovernmental negotiations on a global plastics treaty at the end of April.

Nature Action 100

In September 2023, Evli joined the global Nature Action 100 investor initiative, which encourages companies to take on concrete corporate actions to reduce nature loss. The initiative includes more than 200 investors and engages with 100 companies operating in eight key sectors with significant impacts on biodiversity around the world. The initiative started by sending letters to companies and has continued with investor participants' direct engagement with companies either individually or as a part of engagement groups with other participating investors. Evli is part of one investor group to engage with one company. Investor participants will report to Nature Action 100 on the progress of their engagement.

PRI Spring

In the early 2024, Evli joined as an endorser the PRI Spring initiative, in which institutional investors engage with companies to halt and reverse biodiversity loss by 2030. The initiative focuses primarily on forest loss and land degradation, which are one of the key drivers of biodiversity loss. The initiative focuses on 40 companies. By mid–2024, the initiative endorses represented combined assets of 15 trillion dollars. The campaign includes both endorsers and participant investors responsible for engaging with companies. Company engagement began in the second half of 2024.

Investor letter to governments to address climate crisis

Evli signed the "2024 Global Investor Statement to Governments on the Climate Crisis" investor letter. The letter calls for governments to take necessary political actions to accelerate private capital flows needed for the just transition to a climate–resilient and nature–positive economy. The investor letter was signed by 650 financial companies, representing more than 33 trillion dollars in assets under management.

CASE

Evli's new green transition fund focuses on energy transformation, resource efficiency and the circular economy

Evli Private Capital Fund I, launched by Evli in autumn 2024, is Finland's first thematic growth equity fund focused on minority investments. The alternative investment fund will be diversified across 5–8 target companies in Finland and Sweden.

Green transition is one of the most important growth drivers both in the current and in the coming decades. Global investment needs driven by climate change are estimated to be in the range of USD 100–150 trillion by 2050[1]. Evli's new Evli Private Capital Fund I enables investors to capitalize on attractive opportunities from the green transition megatrend.

The fund makes significant minority investments in Finnish and Swedish small and medium-sized growth companies (within energy transformation, resource efficiency, and the circular economy). Evli is an active owner that, in addition to capital, provides the companies with support in areas such as strategy clarification, implementing M&A and internationalization, as well as access to a broad network of experts. The fund has a lifespan of 8+2 years and an annual net return target of 20–30%[2].

Experienced team behind the fund

The Evli Private Capital team consists of experienced investment professionals and is part of Evli's 38-person alternative investment organization. The team's founding partners, **Kalle Kekkonen** and **Kia Aejmelaeus**, have proven the effectiveness of the investment strategy over the past three years through private equity investments in several exciting growth companies promoting sustainable development, including Proventia, Solnet Green Energy, Bladefence, and Elcoline. The aim is to continue the implementation of the previous investment strategy through the Evli Private Capital Fund I.

"The new fund is a continuation of the successful investment strategy we've implemented earlier. As a result of our active work, we have a significant number of interesting deal flow, strong networks and a good reputation in the market," says Kalle Kekkonen, Managing Partner, Evli Private Capital.

The investment themes selected by the team around energy sector transformation, resource efficiency and the circular economy offer a significant number of attractive investment opportunities, indicating a relatively quick investment timeframe.

In November 2024, the fund made its first investment. The investment was made in EWQ Zone, a company driving digitalization and resource efficiency in the retail sector. As a result of the investment, Evli became a significant minority shareholder in EWQ and Kia Aejmelaeus a member of EWQ's Board of Directors.

Favorable investment environment and timing

From the fund's perspective, the investment environment and timing in both Finland and the Nordic countries is very positive, with up to EUR 260 billion[3] expected to be invested in the green transition in Finland alone in the coming years.

"The fund has been established at an interesting time. Some of the best performing funds investing in unlisted companies have been launched in uncertain times during a downturn, when it is possible to get into interesting companies at reasonable valuation levels. Finland has fostered a strong, forward-looking environment for innovation and a highly skilled workforce to accelerate the green transition. Through our investments, we want to be part of building successful growth companies in the Nordics," says Kekkonen.

Like all Evli funds, Evli Private Capital Fund I follows the principles of responsible investment. In addition to integrating sustainability analysis and monitoring into the investment process, the fund will promote environmental and social characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR).

[1] Sources: Boston Consulting Group (BCG and Climate Leadership Coalition (CLC) Finland's Moonshots for Green Growth – Maximizing Finland's Growth and Handprint in the Green Transition, 02/2023. Ministry of Finance Finland: Economic Survey, Summer 2023.
[2] The return target is based on an assessment of the value of the investment and the development of market conditions. The target return may not be achieved, as the realized return will depend on the success of the investment activity and the actual market development.

[3] Sources: The Finnish Climate Fund and AFRY.

Promoting children's rights as part of human rights work

As part of its human rights work, Evli has brought children's rights into a broader perspective. Investors have the power to influence how children's rights are implemented in companies' operations. From 2022 to 2024 Evli participated in UNICEF Finland's research project[1], examining how Finnish companies take children's rights into account in their activities and what kind of clear metrics could be used to measure this. The study is unique in the world, as there are only a few known similar projects.

At the same time, Evli began its own research project to better understand how companies consider children's rights and how this could be integrated into investment decisions. As Finnish companies also operate in international markets, value chains reach emerging markets. The study examined the children's rights from a wide range of perspectives and shed light on risks in many industries and companies. Three industries were selected for the study: basic materials, consumer goods, and digital services (the IT sector). The choice was based on the importance of the industries in Finland, but also on their concreteness to better understand the complexity of issues related to child rights. As for basic materials, it was relevant to notice that risk areas usually lie at the beginning of the value chain and that companies' operations are very global. In consumer goods, the emphasis was on data privacy and marketing, among other things. In digital services, learning opportunities, data security, and particularly vulnerable position of children in marketing and product safety, for example, were highlighted.

The aim of the industry–specific analysis is to create metrics that will help to integrate children's rights more strongly into responsible investing methods. In practice, this means that when analyzing investment decisions, children's rights could be considered as part of the company analysis. In this context, however, it is important to consider the availability of data, which is also important to raise in a broader discussion with different stakeholders. As a solution to data challenges, Evli also considered the use of artificial intelligence. Evli's new service platform for equity investing, Atlas, enables building tailored equity portfolios based on clients' individual needs and values. As part of Atlas, Evli has developed the Atlas Intelligence tool that uses artificial intelligence for boosting company analysis and generating new data to support reporting and investment decisions. Artificial intelligence helps to process and analyze large amounts of data generated by companies systematically and consistently. The platform can utilize existing expert frameworks, such as the UNICEF's Tool for Investors and the Global Child Forum's Benchmark model related to the children's rights, or create tailored analysis models for specific questions.

[1] UNICEF Finland's benchmark study "Child Lens on ESG: A Study of Nasdaq Helsinki Companies" was published in February 2024. The study mapped the children's rights performance of 52 large Finnish listed companies. Evli brought an investor view to the study.

Evli's work to mitigate climate change

Climate change mitigation has been part of Evli's responsible investment processes for a long time. Evli continued this work with its climate targets published in 2021. According to its climate targets, Evli aims to achieve carbon neutrality by 2050 at the latest. The target applies to emissions from both Evli's own operations and its investments. In addition to the main target, Evli set interim targets and a separate climate roadmap to support the long-term goal of carbon neutrality.

In 2022, Evli reinforced its climate commitment by signing the Net Zero Asset Managers[5] (NZAM) initiative. The signatories of the initiative include a large group of internationally renowned investors committed to achieving carbon neutrality by 2050. Commitment to the initiative requires signatories to take several steps, including the setting of interim targets, annual reporting on progress towards targets, a clear climate roadmap and planned actions for engagement. The initiative will guide the industry to reduce emissions and report on their progress in a consistent way, which will make it easier to monitor the overall picture.

The signatories of the NZAM initiative must confirm their interim targets as well as the share of investments committed to it. In line with the NZAM initiative's target setting, best practices for climate work are favored. This has also supported Evli's Climate Targets' Working Committee's analysis of how best to achieve the investment-related interim target through real-world emission reductions and in line with the Paris Agreement.

[5] www.netzeroassetmanagers.org/

Evli's climate targets

Evli aims to achieve carbon neutrality by 2050 at the latest. The target applies to emissions from both Evli's own operations and investments.

In addition to the main target, Evli set three interim targets:

1. Evli aims to achieve carbon neutrality for emissions from its own operations (Scope 1 and 2) by 2025 at the latest.
2. Evli set an interim target of a 50% reduction in indirect emissions from investments by 2030, provided that the investment environment enables this. The base year is 2019.
3. Evli set up a Working Committee to further explore how best to achieve the investment–related milestone through real–world emission reductions and in line with the Paris Agreement. In 2022, it was decided that the Climate Working Committee continues supporting climate work until 2025. Evli reinforced its climate commitment by signing the Net Zero Asset Managers initiative in 2022.

The interim targets and the roadmap of climate targets support Evli's long–term goal of carbon neutrality. In line with the climate targets roadmap, Evli will refine the monitored metrics as work progresses and report accordingly.

Roadmap to becoming a net zero asset manager

1. Building a snapshot
2. Development of climate risk management
3. Updating the exclusions
4. Engagement
5. Systematic analysis of the targets

Progress of interim targets under the Net Zero Asset Managers initiative

In summer 2023, Evli submitted its interim target for the NZAM initiative, which has also been published on the initiative's website. The interim target is based on Evli's milestones of climate targets, set in 2021, and on Evli's Climate Working Committee's analysis of how best to achieve the investment target through real–world emission reductions and in line with the Paris Agreement. The NZAM interim target provides concrete tools and metrics to support Evli's short–term and long–term climate targets in accordance with Evli's roadmap of climate targets.

In the first phase, Evli's equity and corporate bond funds are included in the NZAM interim target. The work will continue for other asset classes based on the roadmap of Evli's climate targets. Equity and corporate bond funds were selected for the first set of targets as they have the best and most comprehensive data available at this stage. The interim target is based on two methodologies recommended by the NZAM initiative, the combination of which continued Evli's climate work and provided clear next steps and tools in line with the roadmap of climate targets.

The two methodologies used in the target setting were Paris Aligned Investment Initiative's[1] Net Zero Investment Framework[2] (NZIF) and Net Zero Asset Owner Alliance's[3] Target–Setting Protocol[4] (TSP). Evli defined the interim targets related to assessment of companies (portfolio coverage targets) by following the NZIF methodology. Based on the TSP methodology, Evli defined an interim target for investments (sub–portfolio target) and an engagement target.

The interim target related to the assessment of companies following the NZIF methodology is based on the assessment of how companies' business model and climate policies relate to the requirements of a low–carbon society. This target provides a clear tool that emphasizes forward–looking indicators and acknowledges the different requirements for high impact sectors. The method is also in line with Evli's engagement work and brings concreteness to climate work.

In addition to the work under these methodologies, Evli encourages its investee companies to set their own climate targets and/or science–based targets and monitors the progress of the targets that companies have already set.

[1] The Paris Aligned Investment Initiative (PAII) was launched in May 2019 by the Institutional Investors Group on Climate Change (IIGCC). The objective of the initiative is to examine how investors can align their portfolios to the goals of the Paris Agreement.
[2] The Net Zero Investment Framework methodology, developed by the PAII, provides a common set of recommended actions, metrics, and methodologies through which investors can maximize their contributions to achieving global net zero emissions by 2050 or sooner (www.parisalignedassetowners.org/media/2021/03/PAII–Net–Zero–Investment–Framework_Implementation–Guide.pdf).
[3] The UN–convened Net Zero Asset Owner Alliance (NZAOA) is a member–led initiative of institutional investors committed to transitioning their investment portfolios to net zero greenhouse gas emissions by 2050 — consistent with a maximum temperature rise of 1.5°C.
[4] Target–Setting Protocol is a broad framework for reporting and delivering short–term climate targets (www.unepfi.org/industries/target–setting–protocol–third–edition/).

Net Zero Asset Managers initiative's interim targets

Sub–portfolio target

Target:	Investment emissions reduction –50%
Base year:	2019
Carbon footprint of the base year:	241.8 t CO_2e/$M Sales
Target year:	2030
Achieved at the end of 2024:	–56.8% of the base year

Engagement target

Target:	Evli will engage with the 20 highest emitting companies that have not committed to or do not have an approved science–based target (SBTi) or that are not aligned to a net zero pathway as defined in the NZIF methodology
Base year:	2022
Target year:	2025
Achieved at the end of 2024:	
– Independent engagement:	8 companies (2023: 4 companies)
– Through collaborative initiatives:	16 companies (2023: 12 companies)

Portfolio coverage targets

Target:	To achieve a certain percentage of assets under management (AUM) in material sectors that is net zero, aligned, or aligning by 2050
Base year:	2022, share of AUM 42%
Target year:	2027, share of AUM 55%
Target year:	2030, share of AUM 65%
Achieved at the end of 2024:	share of AUM 52.01%

Development of climate targets and next steps

In 2024, climate target–related metrics, methodologies, and tools were discussed with Evli's portfolio management teams. Climate change and planetary boundaries were also discussed at Evli's internal ESG training days. Evli focused its climate engagement work on companies previously engaged with as well as on high emitting companies either independently or through collaborative engagement initiatives. As for Evli's engagement target included in the NZAM interim target, Evli engaged independently with eight companies and through collaborative engagement initiatives with 16 companies. Related to the target Evli has engaged a total of 10 companies independently and 27 individual companies through collaborative engagement initiatives in 2023–2024. The figures take into account the changes happened between 2022–2024 for the 20 highest–emitting companies. Engagement in line with the target will continue also in 2025.

Regarding the interim target for Evli's investments, which is a 50% emission reduction by 2030, the carbon footprint decreased by 56.8% from the 2019 baseline year by the end of 2024, based on the MSCI carbon data.

Interim targets related to assessment of companies showed that 52% of the target companies in material sectors were considered aligning at the end of 2024. In 2024, Evli also continued its active discussions with various ESG service providers on how ESG data could also help improve classification of companies as aligned and net zero, for which data is not yet widely available.

Emissions from Evli's own operations

In terms of emissions from own operations, Evli started to build a snapshot in 2021 with the construction of an emissions calculation and the mapping of the most significant emission sources. The framework set by the GHG Protocol[1] was used for this task. The mapping of emission sources revealed that emissions from Evli's own operations are mostly concentrated in indirect Scope 3 emissions, such as emissions from purchased products and services.

In 2024, together with a partner, Evli continued to calculate the greenhouse gas emissions from its own operations for 2023 and 2024. The calculation was carried out in accordance with the GHG protocol, using the operational control approach that takes into account as a whole such emissions that are part of Evli's operations. The calculation has been developed to be more comprehensive than in previous years, and the number of included Scope 3 emission categories has been increased by, for example, identifying emissions from commuting between home and the office.

Based on the results, Evli has no direct Scope 1 emissions. Based on the new emission calculation, Evli's Scope 2 emissions include energy consumption of all its premises. Energy consumption consists of electricity consumption and heating. In accordance with the milestone of Evli's climate targets related to emissions from own operations, Evli aims to update, as comprehensible as possible, its electricity consumption contracts to zeroemission energy sources, as far as such changes are possible. In addition to renewal of contracts, Evli aims to offset the amount of emissions equivalent to the remaining Scope 2 emissions. Evli will report on the target and the amount of the offset in more detail in 2025.

Most of the emissions from own operations are centered on indirect Scope 3 emissions. The biggest Scope 3 emission categories are products and services purchased and emissions from investments on the balance sheet. Some emissions also arise from business travel. More detailed information on different emission categories is presented in Evli's Corporate Responsibility Report. As a whole, Evli's (Scope 1, 2, 3) emissions for the year 2024 are equivalent to the annual carbon footprint of approximately 592 Finns. The carbon footprint of the average Finnish person is 9,610 kgCO_2e/person/year[2].

Evli's climate portfolio supports achieving carbon neutrality

Evli also provides its clients with a climate portfolio strategy that helps reduce greenhouse gas emissions from investments. Evli's climate portfolio is an asset management strategy that aims to reduce the portfolio's greenhouse gas emissions and direct investments towards climate solutions based on the client's goals. Careful allocation and risk analysis are the core of the strategy, and investments can be made in both funds and stocks.

An essential step in achieving carbon neutrality is to assess what kind of investments are in the portfolio and calculate their carbon footprint and carbon intensity. The data helps asset managers make better investment decisions. Excluding specific companies or industries is not the only option, the investments can also focus on supporting the net–zero transition.

[1] The calculation of the carbon footprint is defined, for example, by the international standard Greenhouse Gas Protocol (GHG; ghgprotocol.org), which divides greenhouse gas emissions into Scope 1, 2, and 3. Scope 1 greenhouse gas emissions refer to direct emissions from activities that come from sources owned or controlled by the company. Scope 2 greenhouse gas emissions refer to the indirect emissions from the activity that arise from the production of purchased energy, and Scope 3 includes indirect emissions related to products purchased by the company, outsourcing, business travel, etc.

[2] Sitra, Keskivertosuomalaisen hiilijalanjälki, www.sitra.fi/artikkelit/keskivertosuomalaisen–hiilijalanjalki/

Integrating biodiversity into investment activities

Incorporating biodiversity, or in other words natural diversity, into investing has fast emerged as a significant area of responsibility alongside climate change. More than half of the world's gross domestic product is moderately or highly dependent on nature and the services it provides.[1] In the worst-case scenario, biodiversity loss could lead to significant losses for companies and investors alike.

In addition to climate change mitigation, Evli makes further efforts to take biodiversity into account in its activities. Evli published a biodiversity roadmap in December 2023 and in 2024 examined, in line with the action steps of the roadmap, how Evli could make further efforts to take biodiversity into account in its activities. The aim is to increase biodiversity-related analysis, measuring, and reporting, as well as to encourage companies to consider biodiversity in their operations.

The significance of biodiversity in investing and business

Biodiversity has a significant impact on human and planetary wellbeing as well as on the preconditions for economic activity. Nature provides ecosystem services on which many business activities depend. Ecosystem services include provisioning services (nutrition, water, medicinal substances, and materials), supporting services (photosynthesis and soil quality), regulating services (climate regulation, clean air, and clean water) and cultural services (recreation and aesthetic nature).[2] Biodiversity loss disrupts ecosystem services, and in the worst-case scenario, it could lead to significant losses for both companies and investors.

Correspondingly, companies' activities may have impacts on biodiversity and ecosystem services. Therefore, it is important to recognize the impacts of corporate actions on nature and to consider their double materiality.

Nature impacts refer to the positive or negative impacts of corporate actions on biodiversity. IPBES[3] has identified five drivers of biodiversity loss as the 1) changes in land and sea use, 2) direct exploitation of organisms, 3) climate change, 4) pollution, and 5) invasive alien species. These biodiversity loss drivers, for example, can be used to examine the negative impacts of corporate actions. On the other hand, when assessing positive impacts, it is possible to make use of the EU taxonomy definition of environmentally sustainable business activities, for example.

The Kunming-Montreal Global Biodiversity Framework (GBF) is a global framework adopted in December 2022 at the UN Biodiversity Conference (COP15) and signed by 196 countries. The target of the GBF framework is that, by 2050, biodiversity is valued, conserved, restored, and wisely used and that ecosystem services are maintained. One of the GBF's intermediate targets is that companies assess and report their biodiversity-related dependencies, impacts, and risks, as well as reduce their negative impacts on nature.[4]

Evli's biodiversity work

Evli has raised biodiversity research as one of its focus areas for responsible investing for 2022–2024. In 2024, the work continued in line with the biodiversity roadmap.

In January 2024, Evli joined TNFD Early Adopters, which means that Evli will report the nature-related risks, opportunities, dependencies, and impacts of its investments as part of its annual report, in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. TNFD is a market-led, science-based initiative that has developed a reporting framework on nature for financial institutions and organizations. In 2024, Evli's Responsible Investment team studied data aligned with the framework and developed tools to enable

[1] World Economic Forum, www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/
[2] World Resources Institute, www.wri.org/
[3] Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), www.ipbes.net/
[4] Kunming-Montreal Global Biodiversity Framework, www.cbd.int/gbf/

reporting. During the third quarter, Evli's Responsible Investment team participated in the TNFD nature reporting training, organized by Sitra, which included review of the reporting framework aspects and introduction to the LEAP approach[1]. During the year, Evli also participated in the consultation of the TNFD's financial sector guidelines.

In the early 2024, Evli joined as an endorser the PRI Spring initiative, in which institutional investors engage with companies to halt and reverse biodiversity loss by 2030. The initiative focuses primarily on forest loss and land degradation, which are one of the key drivers of biodiversity loss. The initiative focuses on 40 companies. The campaign includes both endorsers and participant investors responsible for engaging with companies. Company engagement began in the second half of 2024.

Evli acted as an active investor participant in the Nature Action 100 initiative, which engages with 100 companies that are systemically important regarding nature and biodiversity loss and encourages companies to take more ambitious action to reduce nature loss. Evli is involved in the initiative in a collaborative engagement group focusing on one company. In addition, Evli arranged for the engagement group an external expert lecture on Finnish forests and their biodiversity.

In spring 2024, Evli signed the "Finance Statement on Plastic Pollution" with other financial companies to support an international plastic agreement, as we recognize the negative impacts of plastics on the climate, people, and biodiversity. The statement was published before the UN intergovernmental negotiations on a global plastics treaty at the end of April.

In the fall of 2024, for the third year in a row, Evli organized internal ESG training days for portfolio management and others working with responsibility themes. The topics of the training days included, among other things, planetary boundaries, global ESG trends, biodiversity, development of sustainable finance regulation, and preparation for the TNFD reporting. Approximately 80 people participated in the training days.

[1] LEAP is an approach in line with the TNFD framework to identify interfaces with nature. LEAP stands for Locate, Evaluate, Assess, Prepare.

Taskforce on Nature–related Financial Disclosures

Taskforce on Nature–related Financial Disclosures (TNFD) is a market–led, science–based initiative that has developed a risk management and communication framework for organizations and financial institutions. The framework can be applied to organizations regardless of their size or geographical location. The aim is to help organizations identify and report on the risks, opportunities, impacts, and dependencies associated with the nature of their activities in a standardized way. Increased reporting and more comprehensive data will allow biodiversity to be taken into account in future investment activities. The TNFD disclosure recommendations are built on the previously published and already widely used climate reporting framework TCFD, following the same four pillars: 1) governance, 2) strategy, 3) risk and impact management, and 4) metrics and targets. TNFD published the final reporting framework in September 2023.

Wealth Management's biodiversity roadmap

Evli has prepared its Wealth Management's biodiversity roadmap with action steps for 2023–2025. The objective of the roadmap is to gain a better understanding of the risks and impacts of investments on biodiversity. According to the roadmap, Evli is developing biodiversity–related ESG integration and reporting in such a manner that biodiversity is integrated into Evli's operations in line with best practices. The aim of the roadmap's action steps is to set more specified biodiversity–related principles and targets in the future.

Biodiversity roadmap action steps

1. Building a snapshot

In its investment activities, Evli seeks to identify biodiversity–related risks and dependencies as well as the impacts of investments on biodiversity. For this purpose, Evli improves the analysis of its investments and explores nature–related metrics.

2. Developing data and tools

As part of building a snapshot and analyzing investments, Evli examines available data, identifies the needs of new metrics, and develops portfolio management tools so that biodiversity–related metrics are taken into account in investment analysis.

3. Engagement and active ownership

Based on relevant biodiversity metrics and analysis, Evli seeks to identify target companies it can engage with to address biodiversity matters. As part of active ownership, Evli also continues to collaborate with other investors to engage with companies when the target and goals of collaborative engagement are in line with Evli's biodiversity work.

4. Developing reporting and TNFD reporting

After identifying the biodiversity metrics integral to investment activities, Evli aims to improve its responsibility reporting. Evli aims to find biodiversity metrics that comply with, for example, recommendations of Taskforce on Nature–related Financial Disclosures (TNFD) or other reporting frameworks and that best reflect biodiversity risks and impacts related to investments. Evli will report on its investments in accordance with the TNFD from 2025 onwards based on the year 2024.

5. Setting biodiversity–related principles and targets

As a result of the roadmap, Evli seeks to set biodiversity principles that specify how Evli takes into account biodiversity as part of its investment activities in different asset classes. In addition, Evli's monitored metrics, analysis tools, engagement targets and principles as well as biodiversity–related reporting are described in the principles.

In the future, Evli also seeks to establish biodiversity targets. The aim of Evli's biodiversity roadmap is to set action steps for biodiversity–work, and based on that more detailed biodiversity targets and asset class–specific policies can be determined in the future.

CASE

When risk management is no longer sufficient, it's time to invest for impact

Humankind is behind in achieving its net zero emission commitment and what's worse, we're not even on track to limit global warming to a two–degree increase. But the urgent need to reduce emissions, legislative pressure, technological advancements, and sustainable consumer preferences also create enormous opportunities for investors.

According to International Energy Agency's (IEA) World Energy Outlook Special Report[1] released in autumn 2024, achieving the COP28 goals for renewables and energy efficiency could cut global emissions by up to 10 billion tonnes by year 2030. The key pledges include transitioning away from fossil fuels, tripling renewable energy capacity, and doubling energy efficiency improvements.

IEA estimates that to reach the renewable energy goals, 25 million kilometers of electricity grids should be built and modernized by 2030. In addition, the world would need 1,500 gigawatts (GW) of energy storage capacity by 2030, of which 1,200 GW from battery storage, a 15–fold increase from today.

It is evident that action is needed, now. And investors can play a significant role in these advancements. From the investing viewpoint, one means to tackle this challenge is thematic impact investing, which has gained prominence alongside responsible investing in recent years.

Focus on companies that offer solutions to challenges

Responsible investing traditionally focuses on companies that don't harm the environment or society. Impact investing, on the other hand, goes a step further and focuses on companies that offer solutions to challenges. These companies contribute to positive outcomes in the areas mentioned above.

Impact themes on the environmental side can range from renewable energy to energy efficiency. On the societal side, impact investments focus on themes like healthcare, microloans in emerging markets and companies that develop medicine.

"At Evli, we already see the positive double effect of impact investing: investments can advance critical issues, such as mitigating climate change or leaps in science in a tangible way while offering attractive financial returns," says **Olga Marjasova**, Portfolio Manager of the Evli Impact Equity.

Evli Impact Equity Fund offers a solution to meet the evolving needs of investors

One example of the unlocked investment opportunity is Evli's Impact Equity Fund, which addresses the global challenge by investing in both developed and emerging markets.

The fund actively selects a global portfolio of undervalued and growing quality companies that significantly contribute to low–carbon, resource–efficient and sustainable development. What sets it apart from similar funds is its clear investment strategy as well as a consistent and transparent process for selecting investments and assessing impact.

The companies in the portfolio provide products, services and technologies that address the most urgent needs in sustainable development and green transition. The fund also aims to achieve positive measurable environmental or social outcomes by investing in companies that are undergoing significant transformation.

"Evli's clients and investors have long wished for a fund that supports the net–zero emissions target by 2050. Evli Impact Equity Fund is for mission–driven and value–based investors, such as endowments, foundations and family offices. It is also suitable for private investors who are passionate about environmental and social issues and want to express this in their portfolios," explains Marjasova.

The fund's focus areas in emissions reduction are renewable energy production, distribution networks, infrastructure construction, planning, electric vehicles and carbon capture technology. Investments in the portfolio include companies like Iberdrola, Spie and Clean Harbors. It is estimated that 80% of portfolio companies contribute to the emission reduction goal.

[1] IEA, From Taking Stock to Taking Action, How to implement the COP28 energy goals, September 2024, iea.blob.core.windows.net.

Responsible investment practices are constantly evolving

Responsible investment requires continuous development together with stakeholders. We value our dialogue with our clients and actively follow the public debate. In line with our focus areas for responsible investment, we aim to continue to work systematically towards our climate targets, to strengthen our responsibility work in investment activities and at fund level, and to deepen our work on human rights and biodiversity.

"We see ourselves as facilitators of a broader context where wealth and sustainability drive positive change together. We have the expertise, the vision, and the courage to initiate and drive the discussion on the initiatives that long–term value creation enables both for individuals, society, and our planet."

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